

Notice of KEY Executive Decision

Subject Heading:	<i>Agreement to Bid for Funding from the GLA's Right to Buy-back fund</i>
Cabinet Member:	<i>Councillor Damian White – Leader of the Council</i>
SLT Lead:	<i>Patrick Odling-Smee – Director of Housing Services</i>
Report Author and contact details:	<i>Kirsty Moller – Head of Programme & Support</i> e: Kirsty.Moller@havering.gov.uk t: 01708 434707
Policy context:	<i>A successful grant bid will support Havering's ambitions to provide more genuinely affordable homes for local people.</i>
Financial summary:	<i>This report seeks approval to submit a bid for grant funding from the Greater London Authority, for a total of £8 million to support the purchase of 80 affordable homes in the borough.</i> <i>This funding will support the ongoing housing acquisitions programme - which has already successfully provided around 100 affordable homes for local people.</i>
Reason decision is Key	<i>(a) Expenditure or saving (including anticipated income) of £500,000 or more</i>
Date notice given of intended decision:	<i>29th July 2021</i>

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Relevant OSC:	<i>Towns & Communities OSC</i>
Is it an urgent decision?	<i>No</i>
Is this decision exempt from being called-in?	<i>No</i>

The subject matter of this report deals with the following Council Objectives

Communities making Havering	<input type="checkbox"/>
Places making Havering	<input checked="" type="checkbox"/>
Opportunities making Havering	<input type="checkbox"/>
Connections making Havering	<input type="checkbox"/>

Part A – Report seeking decision

DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION

- 1.1 For the reasons stated in this report, the Leader of the Council is recommended to agree that the Council submit a bid for £8 million in grant funding to the Greater London Authority (GLA) as part of the Right to Buy-back fund (an addendum to the Building Council Homes for Londoners Programme). The required Council funding to support the grant bid is available through the Housing Revenue Account (HRA).
- 1.2 The funding would complement the existing “Buy Back Programme” to buy ex-Council homes previously sold through Right to Buy for housing stock. Havering’s programme has already been in place for several years, one of the few London boroughs to have such a programme, and has successfully provided around 100 essential affordable homes for local people. As housing demand increases, it’s imperative that smart initiatives like the Buy Back Programme continue, whilst making best use of external funding to minimise the impact on council resources.
- 1.3 The benefits and potential risks associated with the bid for grant funding are outlined in the financial implications section below.
- 1.4 Note that acceptance of any funding offered by the GLA, as a result of this bid, will be subject to a further detailed report and agreement through the Council’s executive decision process.
- 1.5 Note that the Council reserves the right to review funding arrangements, unit numbers and tenures for any part of the ‘Buy Back Programme’ where GLA funding is not provided in full.

AUTHORITY UNDER WHICH DECISION IS MADE

According to Part 2 of the Council’s constitution “Powers of the Executive” – the Leader of the Council may choose to execute functions personally where the function is usually delegated to:

1. Cabinet
2. A committee of the Cabinet
3. Individual Cabinet Members
4. Staff
5. Joint Committees

In this instance, the submission of grant bids over £500,000 is usually delegated to Cabinet, as per “2.1 General functions of Cabinet”.

(q) To approve applications for the submission of bids for grants and other financial assistance which require the provision of additional finance or match funding or are likely to lead to residual costs or implications for the Council or where the amount of the grant application exceeds £500,000.

STATEMENT OF THE REASONS FOR THE DECISION

- 3.1 The Mayor of London has launched a new Right to Buy-back fund to help increase the stock of council-owned housing and to mitigate the historic impact of the Right to Buy policy on London's affordable housing. As the Council is an approved provider of affordable housing, we are able to bid for grant funding from the Greater London Authority.
- 3.2 The Council loses around 60 Council homes per year through Right to Buy and has a 'Buy Back Programme' in place to purchase replacement properties within the borough to use as affordable housing stock. A successful grant bid would support Havering's ambitions of delivering good quality affordable homes for local people by supporting the acquisition of a further 80 local homes within the borough boundary by March 2023. This initiative is essential in delivering additional homes to meet housing demand.
- 3.3 The homes funded through the Right to Buy-back Fund will be genuinely affordable for local people and capped at social rent levels. Allocation of these homes will be in accordance with current housing allocation policy.

OTHER OPTIONS CONSIDERED AND REJECTED

- 4.1 Do Nothing – by not submitting a bid for this grant programme, we are missing a significant opportunity to secure external funding for the housing acquisition programme. Wider impacts could include a shortage of affordable housing in the borough and therefore more money spent on emergency and temporary accommodation for residents with housing needs.
- 4.2 Submit a Bid Later – boroughs can submit bids for funding for acquisitions made before March 2023, however priority is given to acquisitions that occur earlier as this helps increase the GLA's reportable affordable housing starts. As the Council is already delivering an acquisitions programme and capital funding is identified, it is preferable to bid for funding now.
- 4.3 Use Alternative Funding (e.g. Retained Receipts) – The Council retains receipts from Right to Buy sales, which must be recycled into providing new housing, either by acquisition or development, or returned to central government with interest.

Whilst this is an alternative source of funding and Right to Buy receipts can be applied up to 40% of the cost, the grant funding available from the GLA's Right to Buyback Fund delivers similar or equal value for the most popular bedroom sizes, 2 and 3 bedrooms.

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Bedroom Number	Average Cost to Date	Percentage of Cost Covered by Grant
2 Bedroom	£248,000	40%
3 Bedroom	£272,106	37%

In addition to being of similar or equal value, using grant funding for these acquisitions will free up Right to Buy receipts to fund other affordable housing schemes, where grant funding levels are not as attractive.

For example, from 1st April 2021, the Right to Buy funding regulations changed to allow Councils to use receipts to build shared ownership homes, up to 40% of the cost. It would therefore usually prove more beneficial to utilise Right to Buy receipts on shared ownership homes in the regeneration programme as grant funding is usually set at £38,000.

PRE-DECISION CONSULTATION

5.1 Consultees for this proposal include: OneSource business partners, the Greater London Authority, SLT and Themed Board.

NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER

Name: Kirsty Moller

Designation: Head of Programme & Support (Regeneration)

Signature:



Date: 13th September 2021

Part B - Assessment of implications and risks

LEGAL IMPLICATIONS AND RISKS

- 6.1 The Council has a statutory duty under Section 8 of the Housing Act 1985 to consider housing conditions in its district and the needs of the district with respect to the provision of further housing accommodation.
- 6.2 Section 1 of the Localism Act 2011 gives the Council a general power of competence to do anything an individual can do, subject to any statutory constraints on the Council's powers. The recommendations in this report are in keeping with this power and the Council has the power to receive grant funding.
- 6.3 This decision sets out the information relating to the grant bid only, any acceptance of funding and the entering into of a new grant contract will be subject to a further report setting out related information and implications, and subject to the Council's executive decision process. Officers will ensure they are cognisant of the funding conditions associated to with the grant and agree the Council is able to accept and perform its obligations

FINANCIAL IMPLICATIONS AND RISKS

- 7.1 This report seeks approval to submit a bid for funding to the Greater London Authority (GLA) as part of the Right to Buy-back fund for £8 million.
- 7.2 The funding is available at £100,000 per unit and rent is capped at social rent levels, two and three bedroom homes would be targeted in accordance with housing demand. The funding would support the acquisition of 40 homes in 2021/22 and a further 40 homes in 2022/23.

The average costs for the general needs acquisitions to date are shown below, along with the percentage of the purchase price that would be covered by grant funding.

Bedroom Number	Average Cost to Date	Percentage of Cost Covered by Grant
1 Bedroom	£148,250	67%
2 Bedroom	£248,000	40%
3 Bedroom	£272,106	37%
4 Bedroom	£312,500	32%

- 7.3 HRA Business Plan Assumptions - In the HRA Business Plan approved by Cabinet on 17th February 2021, there was £20 million allocated to the housing acquisitions programme in 2021/22 plus a carried-forward 2020/21 budget of £0.700m. Some acquisitions have already been made from the original £20.7m budget, leaving £11.6m available HRA funding in 2021/22 to use for this year's acquisitions.

- 7.4 This £11.6m allocation would usually be funded from either HRA borrowing, or a combination of borrowing and 40% Right to Buy receipts.

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- 7.5 The 40 acquisitions in 2022/23 would need around £10.5m funding, based on an average cost of £260,000 per unit. There is sufficient funding in HRA budgets to support this, and the Director of Housing has confirmed that allowances have been made in the latest HRA business plan to support this project in 2022/23.
- 7.6 If the Council's bid for £8 million in grant funding were successful, this would allow HRA funding to be diverted to other suitable schemes. Increased grant funding could also relieve pressure on Right to Buy receipts, allowing other affordable housing schemes to utilise them, where lower grant rates would be available, e.g. for shared ownership homes.
- 7.7 Capital investment to maintain the Decent Homes standard – a requirement of this funding is that acquired properties are maintained by the local authority to 'Decent Homes Standard'. The Council already achieves a target of 98% of its properties meeting the Decent Homes Standard and has regular capital investment programmes to ensure this high standard is maintained. Future investment will be identified through the annual business planning process and the condition of properties at the point of acquisition will be reflected in the purchase price.
- 7.8 Repairs, maintenance and improvements - Grant funding cannot be spent on improvement works to properties, only the acquisition cost. Any costs for repairs or improvements will be met from other HRA maintenance and stock investment budgets (funded by HRA rental income); there is sufficient current budget and contingency to meet these potential costs.
- 7.9 Selection Criteria for Acquired Properties – The properties identified for acquisition under the Buy Back programme are considered according to price, location, condition and bedroom number, with two and three bedroom properties preferred to meet current housing demand. Each property is assessed for condition and performance against the Decent Homes standard by a council surveyor, and market value is assessed by an independent RICS surveyor. Homes are acquired at market value and each party is responsible for their own surveyor and legal costs.
- 7.10 Payment of Grant - Note that the Council is required to fund acquisitions up front and reclaim grant on completion of set milestones. The GLA will pay 100 per cent of grant for acquisitions under this fund once the acquisition has completed and the Council has confirmed on the GLA Open Project System (OPS) that the relevant land acquisition milestone has been achieved.

Financial risks

- 7.11 Bid rejected / reduced allocation, should the bid be rejected, or the Council is offered a lower amount, then the right is reserved to reassess the project's value for money and examine alternative funding sources or delivery options available to increase affordable housing levels.
- 7.12 Grant conditions - grant would be advanced with a number of conditions. It is necessary to ensure that the Council can meet any obligations set by the GLA prior

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to entering into contract to avoid repayment of grant. The funding would be managed as part of the 2016-23 Affordable Homes Programme, from which the Council already receives development funding. This scheme would form part of the Council's GLA grant portfolio managed by the Regeneration and Housing Services teams.

HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)

8.1 There are no Human Resources implications arising from this report.

EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS

9.1 The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

9.2 Note: 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, sexual orientation.

9.3 The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

9.4 The grant bid set out in this report would benefit local residents by providing funding to acquire suitable affordable housing.

HEALTH AND WELLBEING IMPLICATIONS AND RISKS

10.1 Health & Wellbeing Benefits:

Havering council is committed to improving the health and wellbeing of its residents. The provision of good quality and affordable housing is an important determinant of health and wellbeing as housing impacts both our physical and mental health and wellbeing. Inadequate housing and poorly designed housing is associated with increased risk of ill health including cardiovascular and respiratory diseases, depression and anxiety as well as risk of physical injury from accidents.

A successful bid will support Havering's ambitions to provide more good quality, genuinely affordable homes for local people, through the acquisition of up to 80 additional affordable homes. This will impact positively on individuals and families with housing needs including those on low income by increasing access to the number of affordable, quality homes which will, in turn, reduce risk of ill health and improve their quality of life.

10.2 Health & Wellbeing Risks:

The proposals to increase grant funding for this project do not give rise to any health and wellbeing risks.

BACKGROUND PAPERS

None

APPENDICES

None

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Part C – Record of decision

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

Decision

Proposal agreed

Delete as applicable

Proposal NOT agreed because

Details of decision maker

Signed

Name: Councillor Damian White
Leader of the Council

Date:

Lodging this notice

The signed decision notice must be delivered to the proper officer, Debra Marlow, Principal Democratic Services Officer in Democratic Services, in the Town Hall.

For use by Committee Administration

This notice was lodged with me on _____

Signed _____